

Message Text

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ORIGIN L-03

INFO OCT-01 EUR-12 ISO-00 CIAE-00 DODE-00 NSAE-00
NSCE-00 SSO-00 USIE-00 INRE-00 SOE-02 AID-05
CEA-01 COME-00 EB-08 DOE-11 H-01 INR-10 INT-05
OMB-01 PM-05 OES-07 SP-02 SS-15 STR-07 TRSE-00
ACDA-12 NRC-05 DOEE-00 /113 R

DRAFTED BY L/N:RDSLOAN:AVW
APPROVED BY OES/NET:LVNOSENZO
EUR/EE - SFROMOWITZ
ACDA - CVAN DOREN
DOE - GHELFRICH
DOE - PBRUSH (SUBST)
T/D - JNYE
L/N - RJBETTAUER
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O R 250032Z FEB 78
FM SECSTATE WASHDC
TO AMEMBASSY BELGRADE IMMEDIATE
INFO AMEMBASSY VIENNA

C O N F I D E N T I A L STATE 049263

USIAEA

E.O. 11652: GDS

TAGS: ENRG, YU

SUBJECT: KRSKO NUCLEAR FUEL NEGOTIATIONS

REF: BELGRADE 1407

1. DRAFT LETTERS AND NOTE REFLECTING OPTION A OF PAPER PRE-
SENTED TO YUGOSLAVS ON POSSIBLE SOLUTIONS TO RESOLVE KRSKO
FUEL LICENSE AS REPORTED IN REFTEL TRANSMITTED BELOW.
CONFIDENTIAL

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PARA 2 CONTAINS DRAFT YUGOSLAV NOTE TO DIRECTOR GENERAL OF
THE IAEA WHICH WOULD OUTLINE YUGOSLAV COMMITMENTS AND UNDER-
TAKINGS LISTED IN PARAS 1-6 OF OPTION A. PARA 3 CONTAINS
TEXT OF LETTER FROM FOREIGN SECRETARY MINIC TO SECRETARY OF
STATE VANCE EXPLAINING ADDITIONAL UNDERTAKINGS BY YUGOSLAVIA
WHICH ARE LISTED IN PARAS 7-8 OF OPTION A, WHICH WE BELIEVE
ARE APPROPRIATE FOR THIS COMMUNICATION. YOU WILL NOTE
THAT THIS LETTER CONTAINS SPECIFIC REFERENCE TO YUGOSLAVIA'S
RIGHT TO TERMINATE ITS ENRICHMENT SERVICES CONTRACT WITH
THE U.S. AS WELL AS YUGOSLAVIA-U.S.-IAEA SUPPLY AGREEMENT,

AS PROVIDED IN THOSE AGREEMENTS. FROM DEPARTMENT'S POINT OF VIEW, IF YUGOSLAVS WISH, THEY WOULD BE FREE TO PLACE ALL OR PART OF THE NOTE TO THE IAEA IN THE LETTER FROM MINIC TO VANCE. PARA 4 CONTAINS A LETTER FROM SECRETARY OF STATE VANCE TO FOREIGN MINISTER MINIC CONFIRMING YUGOSLAV UNDERTAKINGS MADE IN THEIR NOTE AND LETTER. WE ARE IN PROCESS OF SEEKING NRC VIEWS ON PROPOSED SOLUTIONS; THEREFORE EMBASSY REQUESTED NOT REPEAT NOT TO PASS DRAFTS TO GOY UNTIL AUTHORIZED BY DEPARTMENT.

2. PROPOSED TEXT OF YUGOSLAV NOTE TO DIRECTOR GENERAL OF IAEA IS AS FOLLOWS:

BEGIN QUOTE: I HAVE THE HONOR TO REFER TO THE ARRANGEMENTS AMONG THE SFR OF YUGOSLAVIA, THE UNITED STATES OF AMERICA, AND THE INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA) CONCERNING THE USE OF UNITED STATES LICENSED FUEL IN NUCLEAR POWER PLANT KRSKO.

YUGOSLAVIA UNDERTAKES TO USE UNITED STATES LICENSED FUEL FOR NUCLEAR POWER PLANT KRSKO SOLELY AT THAT PLANT OR AS MAY BE OTHERWISE MUTUALLY AGREED BY THE PARTIES TO THE AGREEMENT FOR FURNISHING URANIUM ENRICHMENT SERVICES UNDER AGREEMENT FOR COOPERATION OF 14 AUGUST 1974 (THE CONFIDENTIAL

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"CONTRACT").

THE SFR OF YUGOSLAVIA AFFIRMS THE IMPORTANCE OF BEING AFFORDED NEEDED OPPORTUNITIES TO DISPOSE OF UNITED STATES LICENSED FUEL IRRADIATED IN NUCLEAR POWER PLANT KRSKO WHICH ARE SUPPORTIVE OF YUGOSLAVIA'S ECONOMIC DEVELOPMENT AND THE SHARED NON-PROLIFERATION OBJECTIVES OF THE PARTIES TO THESE ABOVE-MENTIONED ARRANGEMENTS.

TO THIS END, YUGOSLAVIA INTENDS TO EXPAND ITS FACILITIES FOR THE STORAGE OF IRRADIATED FUEL SUPPLIED UNDER THE CONTRACT AND TO STORE SUCH IRRADIATED FUEL FOR A PERIOD OF TIME SUFFICIENT FOR APPROPRIATE SUBSEQUENT DISPOSITION. YUGOSLAVIA ALSO INTENDS TO CONSULT WITH THE OTHER PARTIES TO THE AGREEMENT FOR THE SUPPLY OF URANIUM ENRICHMENT SERVICES FOR A NUCLEAR POWER FACILITY IN THE SOCIALIST FEDERATED REPUBLIC OF YUGOSLAVIA OF 14 JUNE 1974 (THE "SUPPLY AGREEMENT") AT SUCH TIME AS IT APPEARS THAT ANY SUCH MATERIAL REQUIRES SUBSEQUENT DISPOSITION.

WITH RESPECT TO SUCH SUBSEQUENT DISPOSITION, YUGOSLAVIA UNDERTAKES THAT SUCH DISPOSITION WILL BE ACCOMPLISHED IN ACCORDANCE WITH THE ALTERNATIVES SET FORTH BELOW.

A. STORAGE IN YUGOSLAVIA;

B. STORAGE, PROCESSING, OR OTHER DISPOSITION IN

ACCORDANCE WITH INTERNATIONALLY-ACCEPTED ARRANGEMENTS TO WHICH BOTH THE GOVERNMENT OF THE SOCIALIST FEDERATED REPUBLIC OF YUGOSLAVIA AND THE GOVERNMENT OF THE UNITED STATES MAY SUBSCRIBE;

C. STORAGE IN THE UNITED STATES FOR A FIXED FEE UNDER RELATED COMMERCIAL ARRANGEMENTS BETWEEN THE GOVERNMENTS OF THE SFR OF YUGOSLAVIA AND THE UNITED STATES WITH REIMBURSEMENT TO YUGOSLAVIA OF THE NET FUEL VALUE IF SUCH CONFIDENTIAL

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FUEL VALUE IS EVER EXTRACTED (FUEL VALUE EQUIVALENT OR FINANCIAL COMPENSATION, LESS REPROCESSING COSTS).

YUGOSLAVIA RECOGNIZES THAT, NOTWITHSTANDING THE BEST EFFORTS OF THE PARTIES TO THE CONTRACT, AT THE TIME WHEN YUGOSLAVIA MAY WISH TO ENTER INTO ARRANGEMENTS FOR SUCH DISPOSITION OF U.S.-LICENSED SPENT FUEL CONDITIONS COULD BE SUCH THAT YUGOSLAVIA FINDS IT IMPRACTICABLE TO PROVIDE STORAGE IN YUGOSLAVIA. MOREOVER, NO INTERNATIONALLY-ACCEPTED ARRANGEMENT FOR STORAGE, PROCESSING OR OTHER DISPOSITION TO WHICH BOTH YUGOSLAVIA AND THE UNITED STATES SUBSCRIBE MAY BE AVAILABLE. FURTHERMORE, AT THE POINT IN TIME, CONDITIONS COULD BE SUCH THAT THE UNITED STATES ALSO FINDS IT IMPRACTICABLE TO PROVIDE STORAGE OF SUCH SPENT FUEL IN THE UNITED STATES.

UNDER THESE CIRCUMSTANCES, THE GOVERNMENT OF THE SFR OF YUGOSLAVIA (UNDERSTANDS THAT IT) MAY ELECT TO REPROCESS UNITED STATES LICENSED FUEL IN THE UNITED KINGDOM OR FRANCE OR ANOTHER MUTUALLY AGREED STATE. YUGOSLAVIA (ALSO) UNDERSTANDS THAT IF IT WERE TO CHOOSE THIS COURSE OF ACTION AND PROVIDED THAT AN APPROPRIATE REQUEST HAD BEEN SUBMITTED TO THE GOVERNMENT OF THE UNITED STATES, THE GOVERNMENT OF THE UNITED STATES WOULD BE PREPARED TO AGREE. DISPOSITION OF ANY SEPARATED PLUTONIUM DERIVED FROM SUCH U.S.-LICENSED FUEL (INCLUDING SALE TO OTHER NATIONS) WOULD BE SUBJECT TO FUTURE AGREEMENT OF THE PARTIES TO THE CONTRACT. E;D TEXT OF NOTE.

3. PROPOSED TEXT OF MINIC TO VANCE LETTER IS AS FOLLOWS:
BEGIN QUOTE: I HAVE THE HONOR TO REFER TO THE ARRANGEMENTS AMONG THE SFR OF YUGOSLAVIA, THE UNITED STATES OF AMERICA AND THE INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)
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CONCERNING THE USE OF UNITED STATES LICENSED FUEL IN NUCLEAR POWER PLANT KRSKO, INCLUDING THE COMMUNICATION OF THE SFR OF YUGOSLAVIA TO THE DIRECTOR GENERAL OF THE IAEA OF , OUTLINING CERTAIN UNDERTAKINGS OF MY GOVERN-

MENT REGARDING THESE ARRANGEMENTS.

IN ADDITION TO ANY OTHER UNDERSTANDINGS REACHED BY THE PARTIES TO THESE ARRANGEMENTS CONCERNING THE USE OF UNITED STATES LICENSED FUEL IN NUCLEAR POWER PLANT KRSKO, THE GOVERNMENT OF YUGOSLAVIA UNDERSTANDS THAT, UPON THE REQUEST OF EITHER THE GOVERNMENT OF YUGOSLAVIA OR THE GOVERNMENT OF THE UNITED STATES, BOTH GOVERNMENTS WILL UNDERTAKE A JOINT REVIEW OF THESE ARRANGEMENTS TO DETERMINE WHETHER ANY MODIFICATIONS MAY BE WARRANTED. YUGOSLAVIA UNDERSTANDS THAT ANY SUCH MODIFICATIONS MUTUALLY AGREED UPON WOULD BE ADOPTED. IN THIS CONNECTION, THE GOVERNMENT OF YUGOSLAVIA NOTES THAT YUGOSLAVIA MAY CHOOSE AT ANY TIME TO TERMINATE THE AGREEMENT FOR FURNISHING URANIUM ENRICHMENT SERVICES UNDER AGREEMENT FOR COOPERATION OF 14 AUGUST 1974 (THE "CONTRACT") AND THE AGREEMENT FOR THE SUPPLY OF URANIUM ENRICHMENT SERVICES FOR A NUCLEAR POWER FACILITY IN THE SOCIALIST FEDERATED REPUBLIC OF YUGOSLAVIA OF 14 JUNE 1974 (THE "SUPPLY AGREEMENT"), AS PROVIDED IN THOSE AGREEMENTS, IT BEING UNDERSTOOD THAT ANY SUCH TERMINATION SHALL NOT AFFECT THE RIGHTS AND OBLIGATIONS OF THE PARTIES WITH RESPECT TO FUEL TRANSFERRED TO YUGOSLAVIA PRIOR TO SUCH TERMINATION.

ON BEHALF OF MY GOVERNMENT, I SHOULD ALSO NOTE THAT SHOULD YUGOSLAVIA AND THE UNITED STATES ENTER INTO NEW AGREEMENTS THAT ARE RELEVANT TO THE ARRANGEMENTS REFERRED TO IN THIS NOTE, YUGOSLAVIA WOULD PROMPTLY NEGOTIATE NECESSARY MODIFICATIONS FOR THE IMPLEMENTATION OF THOSE AGREEMENTS.

AS STATED IN MY MAY 12, 1977 LETTER TO YOU, THE GOVERNMENT OF THE SFR OF YUGOSLAVIA IS READY TO CONTINUE NEGOTIATIONS
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CONCERNING THE DISPOSITION OF FUEL (OTHER THAN U.S.-LICENSED) IRRADIATED IN NUCLEAR POWER PLANT KRSKO WITHIN THE FRAMEWORK OF EXISTING INTERNATIONAL AGREEMENTS AND FUTURE MULTILATERAL AGREEMENTS WHICH WOULD REGULATE THIS MATTER. END TEXT OF LETTER.

4. PROPOSED TEXT OF VANCE TO MINIC LETTER IS AS FOLLOWS:
BEGIN TEXT: I HAVE THE HONOR TO REFER TO THE ARRANGEMENTS AMONG THE UNITED STATES OF AMERICA, THE SFR OF YUGOSLAVIA AND THE INTERNATIONAL ATOMIC ENERGY AGENCY CONCERNING THE USE OF UNITED STATES LICENSED FUEL IN NUCLEAR POWER PLANT KRSKO, INCLUDING THE COMMUNICATION OF THE SFR OF YUGOSLAVIA TO THE DIRECTOR GENERAL OF THE IAEA OF AND YOUR LETTER TO ME OF . THE GOVERNMENT OF THE UNITED STATES IS PLEASED TO NOTE THAT YUGOSLAVIA HAS UNDERTAKEN THAT SUCH FUEL WILL BE USED SOLEY AT THAT FACILITY, OR AS MAY BE OTHERWISE MUTUALLY AGREED.

THE GOVERNMENT OF THE UNITED STATES REAFFIRMS ITS INTEREST IN ASSURING THE TIMELY ISSUANCE OF NECESSARY LICENSES FOR EXPORT OF FUEL FOR THE FIRST CORE AND RELOAD AS WELL AS SUBSEQUENT FUEL FOR NUCLEAR POWER PLANT KRSKO IN ACCORDANCE WITH EXISTING AGREEMENTS, INCLUDING THE AGREEMENT FOR FURNISHING URANIUM ENRICHMENT SERVICES UNDER AGREEMENT FOR COOPERATION OF 14 AUGUST 1974 (THE "CONTRACT").

THE GOVERNMENT OF THE UNITED STATES AFFIRMS THE IMPORTANCE OF THE SFR OF YUGOSLAVIA HAVING A RANGE OF OPPORTUNITIES TO DISPOSE OF UNITED STATES LICENSED FUEL IRRADIATED IN THE NUCLEAR POWER PLANT KRSKO WHICH ARE SUPPORTIVE OF YUGOSLAVIA'S ECONOMIC DEVELOPMENT AND THE SHARED NON-PROLIFERATION OBJECTIVES OF THE PARTIES TO THE CONTRACT.

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THE GOVERNMENT OF THE UNITED STATES NOTES THAT THE GOVERNMENT OF YUGOSLAVIA HAS STATED ITS INTENTION TO EXPAND ITS SPENT FUEL STORAGE CAPACITY AND I CAN AFFIRM ON BEHALF OF MY GOVERNMENT THAT THE UNITED STATES INTENDS TO PROVIDE APPROPRIATE SUPPORT TO THIS EFFORT. THE USG ALSO NOTES THAT YUGOSLAVIA INTENDS TO STORE U.S.-LICENSED IRRADIATED FUEL FOR A PERIOD OF TIME SUFFICIENT FOR APPROPRIATE SUBSEQUENT DISPOSITION AND TO CONSULT WITH THE OTHER PARTIES TO THE AGREEMENT FOR THE SUPPLY OF URANIUM ENRICHMENT SERVICES FOR A NUCLEAR POWER FACILITY IN THE SFR OF YUGOSLAVIA OF 14 JUNE 1974 (THE "SUPPLY AGREEMENT") AT SUCH TIME AS IT APPEARS THAT ANY SUCH MATERIAL REQUIRES SUBSEQUENT DISPOSITION.

WITH RESPECT TO SUCH SUBSEQUENT DISPOSITION, THE UNITED STATES UNDERSTANDS THAT YUGOSLAVIA HAS UNDERTAKEN THAT SUCH DISPOSITION WILL BE ACCOMPLISHED IN ACCORDANCE WITH THE ALTERNATIVES SET FORTH BELOW.

A. STORAGE IN YUGOSLAVIA;

B. STORAGE, PROCESSING OR OTHER DISPOSITION IN ACCORDANCE WITH INTERNATIONALLY-ACCEPTED ARRANGEMENTS TO WHICH BOTH YUGOSLAVIA AND THE UNITED STATES MAY SUBSCRIBE;

C. STORAGE IN THE UNITED STATES FOR A FIXED FEE UNDER RELATED COMMERCIAL ARRANGEMENTS BETWEEN THE PARTIES WITH REIMBURSEMENT TO YUGOSLAVIA OF NET FUEL VALUE IF SUCH FUEL VALUE IS EVER EXTRACTED (FUEL VALUE EQUIVALENT OR FINANCIAL COMPENSATION LESS PROCESSING COSTS).

WITH RESPECT TO THE FOREGOING, THE UNITED STATES RECOGNIZES THAT, NOTWITHSTANDING THE BEST EFFORTS OF THE PARTIES TO THE CONTRACT AT THE TIME WHEN YUGOSLAVIA MAY WISH TO ENTER INTO ARRANGEMENTS FOR SUCH DISPOSITION OF U.S.-LICENSED

SPENT FUEL, CONDITIONS COULD BE SUCH THAT YUGOSLAVIA FINDS
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IT IMPRACTICABLE TO PROVIDE STORAGE IN YUGOSLAVIA. MORE-
OVER, NO INTERNATIONALLY-ACCEPTED ARRANGEMENTS FOR STORAGE,
PROCESSING OR OTHER DISPOSITION TO WHICH BOTH YUGOSLAVIA
AND THE UNITED STATES SUBSCRIBE MAY BE AVAILABLE. FURTHER-
MORE, AT THAT POINT IN TIME, CONDITIONS COULD BE SUCH THAT
THE UNITED STATES ALSO FINDS IT IMPRACTICABLE TO PROVIDE
STORAGE OF SUCH SPENT FUEL IN THE UNITED STATES. UNDER
THESE CIRCUMSTANCES THE UNITED STATES UNDERSTANDS THAT
YUGOSLAVIA MAY ELECT TO HAVE U.S.-LICENSED FUEL REPROCESSED
IN THE UNITED KINGDOM OR FRANCE OR ANOTHER MUTUALLY AGREED
STATE. IN THE EVENT THAT YUGOSLAVIA WERE TO CHOOSE THIS
COURSE OF ACTION AND PROVIDED THAT AN APPROPRIATE REQUEST
HAD BEEN SUBMITTED TO THE GOVERNMENT OF THE UNITED STATES,
I CAN AFFIRM ON BEHALF OF MY GOVERNMENT THAT IT WOULD BE
PREPARED TO AGREE. THE UNITED STATES
ALSO NOTES THAT YUGOSLAVIA HAS AGREED THAT THE DISPOSITION
OF ANY SEPARATED PLUTONIUM DERIVED FROM U.S.-LICENSED FUEL
(INCLUDING SALE TO OTHER NATIONS) WOULD BE SUBJECT TO
FUTURE AGREEMENT OF THE PARTIES TO THE CONTRACT.

THE GOVERNMENT OF THE UNITED STATES UNDERSTANDS THAT,
UPON THE REQUEST OF EITHER THE GOVERNMENT OF THE UNITED
STATES OR THE GOVERNMENT OF YUGOSLAVIA, THE PARTIES WILL
UNDERTAKE A JOINT REVIEW OF THESE ARRANGEMENTS TO DETER-
MINE WHETHER ANY MODIFICATIONS MAY BE WARRANTED. ANY
SUCH MODIFICATIONS MUTUALLY AGREED UPON WOULD BE ADOPTED.
IN THIS CONNECTION, I NOTE THAT YUGOSLAVIA MAY CHOOSE
AT ANY TIME TO TERMINATE THE CONTRACT AND THE SUPPLY
AGREEMENT AS PROVIDED THEREIN, IT BEING UNDERSTOOD THAT
ANY SUCH TERMINATION SHALL NOT AFFECT THE RIGHTS AND
OBLIGATIONS OF THE PARTIES WITH RESPECT TO FUEL TRANSFERRED
TO YUGOSLAVIA PRIOR TO SUCH TERMINATION. MOREOVER, SHOULD
THE UNITED STATES AND YUGOSLAVIA ENTER INTO NEW AGREE-
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MENTS THAT ARE RELEVANT TO THESE ARRANGEMENTS, THE UNITED
STATES WOULD PROMPTLY NEGOTIATE NECESSARY MODIFICATIONS
FOR THE IMPLEMENTATION OF THOSE AGREEMENTS.

WITH REGARD TO POSSIBLE FUTURE UTILIZATION OF OTHER THAN
UNITED STATES LICENSED FUEL AT NUCLEAR POWER PLANT KRSKO,
THE GOVERNMENT OF THE UNITED STATES UNDERSTANDS THAT WE
WILL CONTINUE THE NEGOTIATIONS WE HAVE BEGUN IN ACCORDANCE
WITH YOUR LETTER OF MAY 12, 1977. END TEXT OF LETTER.

VANCE

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C O N F I D E N T I A L STATE 049263

FOL RPT STATE 049263 SENT ACTION BELGRADE INFO VIENNA DTD 25 FEB 78

QUOTE: C O N F I D E N T I A L S
TATE 049263

USIAEA

E.O. 11652: GDS

TAGS: ENRG, YU

SUBJECT: KRSKO NUCLEAR FUEL NEGOTIATIONS

REF: BELGRADE 1407

1. DRAFT LETTERS AND NOTE REFLECTING OPTION A OF PAPER PRE-
SENTED TO YUGOSLAVS ON POSSIBLE SOLUTIONS TO RESOLVE KRSKO
FUEL LICENSE AS REPORTED IN REFTEL TRANSMITTED BELOW.
PARA 2 CONTAINS DRAFT YUGOSLAV NOTE TO DIRECTOR GENERAL OF
THE IAEA WHICH WOULD OUTLINE YUGOSLAV COMMITMENTS AND UNDER-
TAKINGS LISTED IN PARAS 1-6 OF OPTION A. PARA 3 CONTAINS
TEXT OF LETTER FROM FOREIGN SECRETARY MINIC TO SECRETARY OF
STATE VANCE EXPLAINING ADDITIONAL UNDERTAKINGS BY YUGOSLAVIA
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WHICH ARE LISTED IN PARAS 7-8 OF OPTION A, WHICH WE BELIEVE
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THAT THIS LETTER CONTAINS SPECIFIC REFERENCE TO YUGOSLAVIA'S
RIGHT TO TERMINATE ITS ENRICHMENT SERVICES CONTRACT WITH
THE U.S. AS WELL AS YUGOSLAVIA-U.S.-IAEA SUPPLY AGREEMENT,
AS PROVIDED IN THOSE AGREEMENTS. FROM DEPARTMENT'S POINT
OF VIEW, IF YUGOSLAVS WISH, THEY WOULD BE FREE TO PLACE ALL
OR PART OF THE NOTE TO THE IAEA IN THE LETTER FROM MINIC

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2. PROPOSED TEXT OF YUGOSLAV NOTE TO DIRECTOR GENERAL OF IAEA IS AS FOLLOWS:

BEGIN QUOTE: I HAVE THE HONOR TO REFER TO THE ARRANGEMENTS AMONG THE SFR OF YUGOSLAVIA, THE UNITED STATES OF AMERICA, AND THE INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA) CONCERNING THE USE OF UNITED STATES LICENSED FUEL IN NUCLEAR POWER PLANT KRSKO.

YUGOSLAVIA UNDERTAKES TO USE UNITED STATES LICENSED FUEL FOR NUCLEAR POWER PLANT KRSKO SOLELY AT THAT PLANT OR AS MAY BE OTHERWISE MUTUALLY AGREED BY THE PARTIES TO THE AGREEMENT FOR FURNISHING URANIUM ENRICHMENT SERVICES UNDER AGREEMENT FOR COOPERATION OF 14 AUGUST 1974 (THE "CONTRACT").

THE SFR OF YUGOSLAVIA AFFIRMS THE IMPORTANCE OF BEING AFFORDED NEEDED OPPORTUNITIES TO DISPOSE OF UNITED STATES LICENSED FUEL IRRADIATED IN NUCLEAR POWER PLANT KRSKO
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WHICH ARE SUPPORTIVE OF YUGOSLAVIA'S ECONOMIC DEVELOPMENT AND THE SHARED NON-PROLIFERATION OBJECTIVES OF THE PARTIES TO THESE ABOVE-MENTIONED ARRANGEMENTS.

TO THIS END, YUGOSLAVIA INTENDS TO EXPAND ITS FACILITIES FOR THE STORAGE OF IRRADIATED FUEL SUPPLIED UNDER THE CONTRACT AND TO STORE SUCH IRRADIATED FUEL FOR A PERIOD OF TIME SUFFICIENT FOR APPROPRIATE SUBSEQUENT DISPOSITION. YUGOSLAVIA ALSO INTENDS TO CONSULT WITH THE OTHER PARTIES TO THE AGREEMENT FOR THE SUPPLY OF URANIUM ENRICHMENT SERVICES FOR A NUCLEAR POWER FACILITY IN THE SOCIALIST FEDERATED REPUBLIC OF YUGOSLAVIA OF 14 JUNE 1974 (THE "SUPPLY AGREEMENT") AT SUCH TIME AS IT APPEARS THAT ANY SUCH MATERIAL REQUIRES SUBSEQUENT DISPOSITION.

WITH RESPECT TO SUCH SUBSEQUENT DISPOSITION, YUGOSLAVIA UNDERTAKES THAT SUCH DISPOSITION WILL BE ACCOMPLISHED IN ACCORDANCE WITH THE ALTERNATIVES SET FORTH BELOW.

A. STORAGE IN YUGOSLAVIA;

B. STORAGE, PROCESSING, OR OTHER DISPOSITION IN ACCORDANCE WITH INTERNATIONALLY-ACCEPTED ARRANGEMENTS TO WHICH BOTH THE GOVERNMENT OF THE SOCIALIST FEDERATED REPUBLIC OF YUGOSLAVIA AND THE GOVERNMENT OF THE UNITED

STATES MAY SUBSCRIBE;

C. STORAGE IN THE UNITED STATES FOR A FIXED FEE
UNDER RELATED COMMERCIAL ARRANGEMENTS BETWEEN THE GOVERN-
MENTS OF THE SFR OF YUGOSLAVIA AND THE UNITED STATES WITH
REIMBURSEMENT TO YUGOSLAVIA OF THE NET FUEL VALUE IF SUCH
FUEL VALUE IS EVER EXTRACTED (FUEL VALUE EQUIVALENT OR
FINANCIAL COMPENSATION, LESS REPROCESSING COSTS).

YUGOSLAVIA RECOGNIZES THAT, NOTWITHSTANDING THE BEST
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YUGOSLAVIA MAY WISH TO ENTER INTO ARRANGEMENTS FOR SUCH
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POSITION TO WHICH BOTH YUGOSLAVIA AND THE UNITED STATES
SUBSCRIBE MAY BE AVAILABLE. FURTHERMORE, AT THE POINT
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ALSO FINDS IT IMPRACTICABLE TO PROVIDE STORAGE OF SUCH
SPENT FUEL IN THE UNITED STATES.

UNDER THESE CIRCUMSTANCES, THE GOVERNMENT OF THE SFR OF
YUGOSLAVIA (UNDERSTANDS THAT IT) MAY ELECT TO REPROCESS
UNITED STATES LICENSED FUEL IN THE UNITED KINGDOM OR
FRANCE OR ANOTHER MUTUALLY AGREED STATE. YUGOSLAVIA (ALSO)
UNDERSTANDS THAT IF IT WERE TO CHOOSE THIS COURSE OF
ACTION AND PROVIDED THAT AN APPROPRIATE REQUEST HAD BEEN
SUBMITTED TO THE GOVERNMENT OF THE UNITED STATES, THE
GOVERNMENT OF THE UNITED STATES WOULD BE PREPARED TO AGREE.
DISPOSITION OF ANY SEPARATED PLU-
-TONIUM DERIVED FROM SUCH U.S.-LICENSED FUEL (INCLUDING
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OF THE PARTIES TO THE CONTRACT. E;D TEXT OF NOTE.

3. PROPOSED TEXT OF MINIC TO VANCE LETTER IS AS FOLLOWS:
BEGIN QUOTE: I HAVE THE HONOR TO REFER TO THE ARRANGE-
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AMERICA AND THE INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)
CONCERNING THE USE OF UNITED STATES LICENSED FUEL IN
NUCLEAR POWER PLANT KRSKO, INCLUDING THE COMMUNICATION OF
THE SFR OF YUGOSLAVIA TO THE DIRECTOR GENERAL OF THE IAEA
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MENT REGARDING THESE ARRANGEMENTS.
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IN ADDITION TO ANY OTHER UNDERSTANDINGS REACHED BY THE
PARTIES TO THESE ARRANGEMENTS CONCERNING THE USE OF UNITED

STATES LICENSED FUEL IN NUCLEAR POWER PLANT KRSKO, THE GOVERNMENT OF YUGOSLAVIA UNDERSTANDS THAT, UPON THE REQUEST OF EITHER THE GOVERNMENT OF YUGOSLAVIA OR THE GOVERNMENT OF THE UNITED STATES, BOTH GOVERNMENTS WILL UNDERTAKE A JOINT REVIEW OF THESE ARRANGEMENTS TO DETERMINE WHETHER ANY MODIFICATIONS MAY BE WARRANTED. YUGOSLAVIA UNDERSTANDS THAT ANY SUCH MODIFICATIONS MUTUALLY AGREED UPON WOULD BE ADOPTED. IN THIS CONNECTION, THE GOVERNMENT OF YUGOSLAVIA NOTES THAT YUGOSLAVIA MAY CHOOSE AT ANY TIME TO TERMINATE THE AGREEMENT FOR FURNISHING URANIUM ENRICHMENT SERVICES UNDER AGREEMENT FOR COOPERATION OF 14 AUGUST 1974 (THE "CONTRACT") AND THE AGREEMENT FOR THE SUPPLY OF URANIUM ENRICHMENT SERVICES FOR A NUCLEAR POWER FACILITY IN THE SOCIALIST FEDERATED REPUBLIC OF YUGOSLAVIA OF 14 JUNE 1974 (THE "SUPPLY AGREEMENT"), AS PROVIDED IN THOSE AGREEMENTS, IT BEING UNDERSTOOD THAT ANY SUCH TERMINATION SHALL NOT AFFECT THE RIGHTS AND OBLIGATIONS OF THE PARTIES WITH RESPECT TO FUEL TRANSFERRED TO YUGOSLAVIA PRIOR TO SUCH TERMINATION.

ON BEHALF OF MY GOVERNMENT, I SHOULD ALSO NOTE THAT SHOULD YUGOSLAVIA AND THE UNITED STATES ENTER INTO NEW AGREEMENTS THAT ARE RELEVANT TO THE ARRANGEMENTS REFERRED TO IN THIS NOTE, YUGOSLAVIA WOULD PROMPTLY NEGOTIATE NECESSARY MODIFICATIONS FOR THE IMPLEMENTATION OF THOSE AGREEMENTS.

AS STATED IN MY MAY 12, 1977 LETTER TO YOU, THE GOVERNMENT

OF THE SFR OF YUGOSLAVIA IS READY TO CONTINUE NEGOTIATIONS CONCERNING THE DISPOSITION OF FUEL (OTHER THAN U.S.-LICENSED) IRRADIATED IN NUCLEAR POWER PLANT KRSKO WITHIN THE FRAMEWORK OF EXISTING INTERNATIONAL AGREEMENTS AND CONFIDENTIAL

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FUTURE MULTILATERAL AGREEMENTS WHICH WOULD REGULATE THIS MATTER. END TEXT OF LETTER.

4. PROPOSED TEXT OF VANCE TO MINIC LETTER IS AS FOLLOWS:
BEGIN TEXT: I HAVE THE HONOR TO REFER TO THE ARRANGEMENTS AMONG THE UNITED STATES OF AMERICA, THE SFR OF YUGOSLAVIA AND THE INTERNATIONAL ATOMIC ENERGY AGENCY CONCERNING THE USE OF UNITED STATES LICENSED FUEL IN NUCLEAR POWER PLANT KRSKO, INCLUDING THE COMMUNICATION OF THE SFR OF YUGOSLAVIA TO THE DIRECTOR GENERAL OF THE IAEA OF AND YOUR LETTER TO ME OF . THE GOVERNMENT OF THE UNITED STATES IS PLEASED TO NOTE THAT YUGOSLAVIA HAS UNDERTAKEN THAT SUCH FUEL WILL BE USED SOLELY AT THAT FACILITY, OR AS MAY BE OTHERWISE MUTUALLY AGREED.

THE GOVERNMENT OF THE UNITED STATES REAFFIRMS ITS INTEREST IN ASSURING THE TIMELY ISSUANCE OF NECESSARY LICENSES

FOR EXPORT OF FUEL FOR THE FIRST CORE AND RELOAD AS WELL AS SUBSEQUENT FUEL FOR NUCLEAR POWER PLANT KRSKO IN ACCORDANCE WITH EXISTING AGREEMENTS, INCLUDING THE AGREEMENT FOR FURNISHING URANIUM ENRICHMENT SERVICES UNDER AGREEMENT FOR COOPERATION OF 14 AUGUST 1974 (THE "CONTRACT").

THE GOVERNMENT OF THE UNITED STATES AFFIRMS THE IMPORTANCE OF THE SFR OF YUGOSLAVIA HAVING A RANGE OF OPPORTUNITIES TO DISPOSE OF UNITED STATES LICENSED FUEL IRRADIATED IN THE NUCLEAR POWER PLANT KRSKO WHICH ARE SUPPORTIVE OF YUGOSLAVIA'S ECONOMIC DEVELOPMENT AND THE SHARED NON-PROLIFERATION OBJECTIVES OF THE PARTIES TO THE CONTRACT.

THE GOVERNMENT OF THE UNITED STATES NOTES THAT THE GOVERNMENT OF YUGOSLAVIA HAS STATED ITS INTENTION TO EXPAND ITS SPENT FUEL STORAGE CAPACITY AND I CAN AFFIRM ON BEHALF OF CONFIDENTIAL

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MY GOVERNMENT THAT THE UNITED STATES INTENDS TO PROVIDE APPROPRIATE SUPPORT TO THIS EFFORT. THE USG ALSO NOTES THAT YUGOSLAVIA INTENDS TO STORE U.S.-LICENSED IRRADIATED FUEL FOR A PERIOD OF TIME SUFFICIENT FOR APPROPRIATE SUBSEQUENT DISPOSITION AND TO CONSULT WITH THE OTHER PARTIES TO THE AGREEMENT FOR THE SUPPLY OF URANIUM ENRICHMENT SERVICES FOR A NUCLEAR POWER FACILITY IN THE SFR OF YUGOSLAVIA OF 14 JUNE 1974 (THE "SUPPLY AGREEMENT") AT SUCH TIME AS IT APPEARS THAT ANY SUCH MATERIAL REQUIRES SUBSEQUENT DISPOSITION.

WITH RESPECT TO SUCH SUBSEQUENT DISPOSITION, THE UNITED STATES UNDERSTANDS THAT YUGOSLAVIA HAS UNDERTAKEN THAT SUCH DISPOSITION WILL BE ACCOMPLISHED IN ACCORDANCE WITH THE ALTERNATIVES SET FORTH BELOW.

A. STORAGE IN YUGOSLAVIA;

B. STORAGE, PROCESSING OR OTHER DISPOSITION IN ACCORDANCE WITH INTERNATIONALLY-ACCEPTED ARRANGEMENTS TO WHICH BOTH YUGOSLAVIA AND THE UNITED STATES MAY SUBSCRIBE;

C. STORAGE IN THE UNITED STATES FOR A FIXED FEE UNDER RELATED COMMERCIAL ARRANGEMENTS BETWEEN THE PARTIES WITH REIMBURSEMENT TO YUGOSLAVIA OF NET FUEL VALUE IF SUCH FUEL VALUE IS EVER EXTRACTED (FUEL VALUE EQUIVALENT OR FINANCIAL COMPENSATION LESS PROCESSING COSTS).

WITH RESPECT TO THE FOREGOING, THE UNITED STATES RECOGNIZES THAT, NOTWITHSTANDING THE BEST EFFORTS OF THE PARTIES TO THE CONTRACT AT THE TIME WHEN YUGOSLAVIA MAY WISH TO ENTER INTO ARRANGEMENTS FOR SUCH DISPOSITION OF U.S.-LICENSED SPENT FUEL, CONDITIONS COULD BE SUCH THAT YUGOSLAVIA FINDS IT IMPRACTICABLE TO PROVIDE STORAGE IN YUGOSLAVIA. MORE-

OVER, NO INTERNATIONALLY-ACCEPTED ARRANGEMENTS FOR STORAGE,
PROCESSING OR OTHER DISPOSITION TO WHICH BOTH YUGOSLAVIA
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AND THE UNITED STATES SUBSCRIBE MAY BE AVAILABLE. FURTHER-
MORE, AT THAT POINT IN TIME, CONDITIONS COULD BE SUCH THAT
THE UNITED STATES ALSO FINDS IT IMPRACTICABLE TO PROVIDE
STORAGE OF SUCH SPENT FUEL IN THE UNITED STATES. UNDER
THESE CIRCUMSTANCES THE UNITED STATES UNDERSTANDS THAT
YUGOSLAVIA MAY ELECT TO HAVE U.S.-LICENSED FUEL REPROCESSED
IN THE UNITED KINGDOM OR FRANCE OR ANOTHER MUTUALLY AGREED
STATE. IN THE EVENT THAT YUGOSLAVIA WERE TO CHOOSE THIS
COURSE OF ACTION AND PROVIDED THAT AN APPROPRIATE REQUEST
HAD BEEN SUBMITTED TO THE GOVERNMENT OF THE UNITED STATES,
I CAN AFFIRM ON BEHALF OF MY GOVERNMENT THAT IT WOULD BE
PREPARED TO AGREE. THE UNITED STATES
ALSO NOTES THAT YUGOSLAVIA HAS AGREED THAT THE DISPOSITION
OF ANY SEPARATED PLUTONIUM DERIVED FROM U.S.-LICENSED FUEL
(INCLUDING SALE TO OTHER NATIONS) WOULD BE SUBJECT TO
FUTURE AGREEMENT OF THE PARTIES TO THE CONTRACT.

THE GOVERNMENT OF THE UNITED STATES UNDERSTANDS THAT,
UPON THE REQUEST OF EITHER THE GOVERNMENT OF THE UNITED
STATES OR THE GOVERNMENT OF YUGOSLAVIA, THE PARTIES WILL
UNDERTAKE A JOINT REVIEW OF THESE ARRANGEMENTS TO DETER-
MINE WHETHER ANY MODIFICATIONS MAY BE WARRANTED. ANY
SUCH MODIFICATIONS MUTUALLY AGREED UPON WOULD BE ADOPTED.
IN THIS CONNECTION, I NOTE THAT YUGOSLAVIA MAY CHOOSE
AT ANY TIME TO TERMINATE THE CONTRACT AND THE SUPPLY
AGREEMENT AS PROVIDED THEREIN, IT BEING UNDERSTOOD THAT
ANY SUCH TERMINATION SHALL NOT AFFECT THE RIGHTS AND
OBLIGATIONS OF THE PARTIES WITH RESPECT TO FUEL TRANSFERRED
TO YUGOSLAVIA PRIOR TO SUCH TERMINATION. MOREOVER, SHOULD
THE UNITED STATES AND YUGOSLAVIA ENTER INTO NEW AGREE-
MENTS THAT ARE RELEVANT TO THESE ARRANGEMENTS, THE UNITED

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STATES WOULD PROMPTLY NEGOTIATE NECESSARY MODIFICATIONS
FOR THE IMPLEMENTATION OF THOSE AGREEMENTS.

WITH REGARD TO POSSIBLE FUTURE UTILIZATION OF OTHER THAN
UNITED STATES LICENSED FUEL AT NUCLEAR POWER PLANT KRSKO,
THE GOVERNMENT OF THE UNITED STATES UNDERSTANDS THAT WE
WILL CONTINUE THE NEGOTIATIONS WE HAVE BEGUN IN ACCORDANCE
WITH YOUR LETTER OF MAY 12, 1977. END TEXT OF LETTER.

VANCE UNQUOTE VANCE

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<< END OF DOCUMENT >>

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